

# How has the WTO membership worked for China?

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# I. China's payments for the WTO membership



# China's tariff reduction(%)

Sector or sub-sector	2001	Tariff reduction commitments	reduction	Percent change
Agricultural products	18.9	15 ( 2005.1.1 )	3.9	20.6
Manufactures:	14.8	8.9 ( 2005.1.1 )	5.9	39.9
IT products	13.3	0 ( 2005.1.1 )	13.3	100
Automobiles	80-100	25 ( 2006.1.1 )	55-75	70
Textile & Apparel	25.4	11.7 ( 2005.1.1 )	13.7	54
Steel & Iron	10.6	8.1 ( 2004.1.1 )	2.5	23.6

## Tariff rates of major developing countries

	China	Argentina	Brazil	India
Year of accession	2001	1967	1948	1948
Bound tariff rate	10	31.8	31.4	48.5
Applied tariff(2014)	9.6	13.6	13.5	13.5
GDP Per capita (2015)	8280	13428	8802	1688
GDP Per capita (2001)	890	6940	3070	460

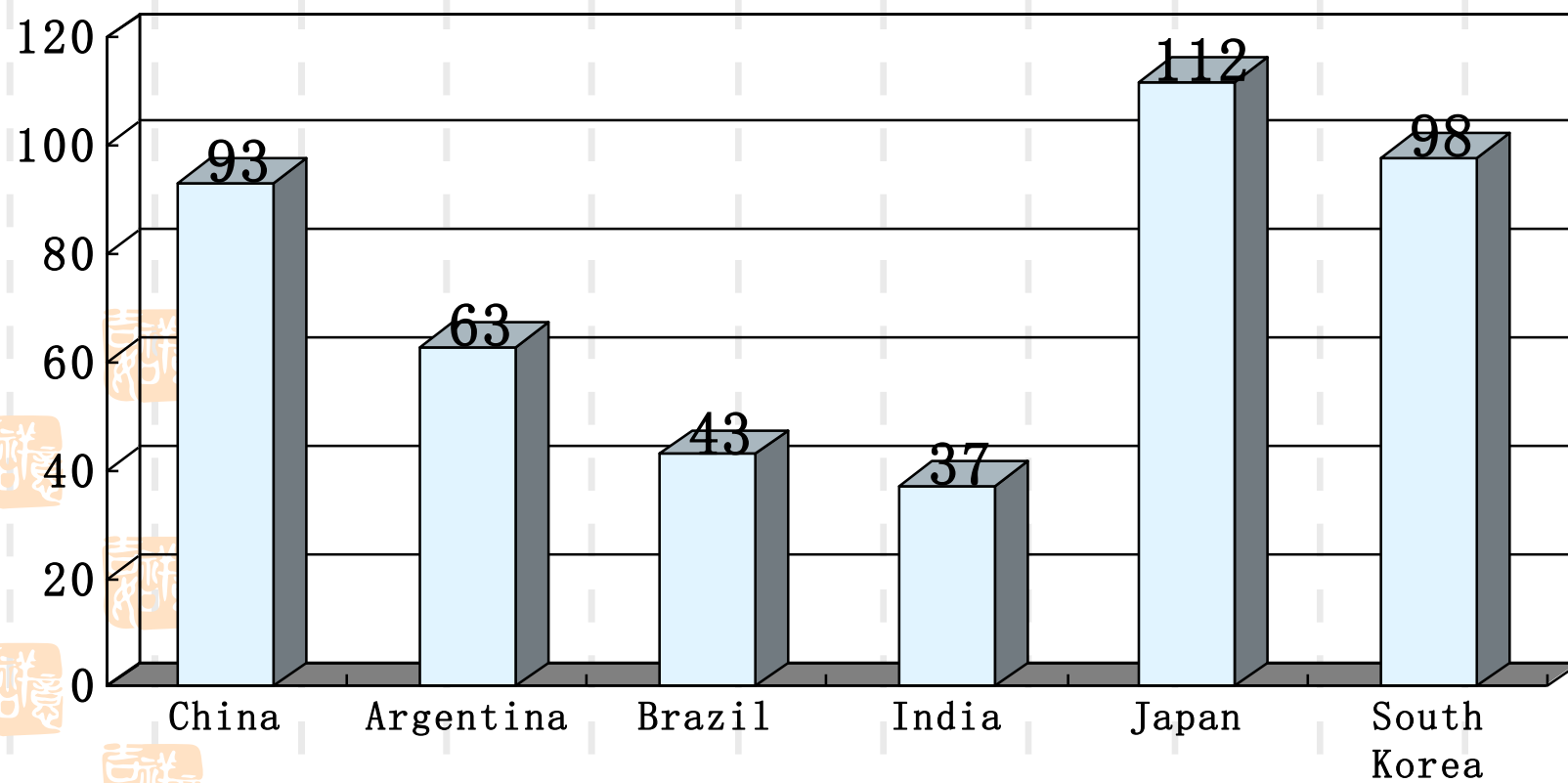
## China and U.S. agricultural policies(in 2001)

	China	U.S.
Average applied tariff	15.3%	9.7%
Export subsidies	0	\$31.5 million
producer subsidies	almost negligible	\$13.3 billion
Rural employment	339,700,000	3,074,946

China's in-quota tariff rates of major cereals are 1%, including wheat, rice, and corn, while 3% on soybean

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GATS services sectors with commitments



# China's main commitments to WTO rules

- Comply with all WTO agreements with minimal transition period
- Give up most S&P treatments applicable to developing countries
- Accept some WTO-plus provisions specifically applicable to China
  - Non-market economy provision in antidumping(15 years)
  - Special textile safeguard(7 years)
  - China-specific safeguard provision(13 years)



## II. China's performance in the WTO





# implementation of WTO accession commitments

- Tariff reduction according to the Protocol of Accession
  - *The average applied MFN tariff was reduced from 15.6% in 2001, just before China acceded to the WTO, to 9.7% in 2005; the average MFN duty rates for agricultural and non-agricultural products were 15.3% and 8.8%, respectively, in 2005.*
- Lowering non-tariff barriers
  - *Import quotas and restrictions on trading rights were eliminated in 2004*
- Opening trade in services
  - *liberalize its services in line with its schedule in the GATS*
- Reforming other policies affecting trade
  - *Direct government intervention in the economy had declined*
  - *China set up a special body under the State Council with all relevant ministries participating as members. This special body reviewed more than 2,000 laws and regulations at the central level alone and abolished more than 500 of those found to be inconsistent with WTO rules.*
  - *More than 100,000 local regulations were reviewed*

# High-level support and genuine belief are critical

- The Chinese government placed great emphasis on the implementation of WTO commitments( geared to international conventions)
- The State Council established a WTO leading group
- Every central government agency and provincial government set up a WTO leading group
- Genuine belief in market economy mechanism and trade liberalization in governments is essential for the full implementation of WTO obligations
- Widespread training for officials and propaganda for the society
- More than 3,000 different types of books on the WTO and its rules were published in China in 2002, and a nationwide contest on WTO knowledge was organized in 2003, with more than 5 million people participating.

# China's compliance to its commitments(USTR)



- Implement tariff reductions on schedule
- China did **fully** adhere to the agreed schedule for the elimination of all of its NTMs, In some cases even eliminated its NTMs ahead of schedule(USTR)
- China continued to keep pace nominally with the openings in services required by its WTO accession agreement. However,in some sectors, the expectations of the US and other WTO members have not been **fully** realized.
- While U.S. exports of agricultural commodities largely fulfill the potential envisioned by U.S. negotiators, China's WTO implementation in the agricultural sector is beset by uncertainty
- While China's transparency commitments in many ways require a profound historical shift, China has made important strides to improve transparency across a wide range of national and provincial authorities.



## WTO's conclusions in trade policy review of China

- Members complemented China on measures to implement its accession commitments.
- many Members raised the issue of transparency and were concerned about the use of certain measures on imports and exports, especially anti-dumping and countervailing, standards, SPS, export taxes and VAT rebates, policies on automobile parts.
- despite China's efforts, the enforcement of intellectual property rights (IPRs) remained problematic.
- Reform in agriculture was commended by Members
- On services, many Members noted that commitments undertaken by China were more extensive than those of other developing countries. However, liberalization in services had been slower than in other areas

# China's disputes with others

- The availability of DSM is supposed to be a major benefit for China
- The first few years were unexpectedly peaceful
  - 2002-2006, only one case as complainant, two cases as respondent
  - Mutual constraint and China's lack of capacity
- Dispute cases against China have soared since 2007(34 cases)
- China has also become more active in initiating cases (13 cases)
- Most cases take place between China and US and EU
- Government interventions and export control policy are the hot topics in cases with China as respondent
- China has not filed any case against developing countries
- All cases which China has initiated are about trade remedies

# China's dispute cases as respondents

Case No.	Complainant	Year	Related measure	Result
DS309	US	2004	Value-Added Tax on Integrated Circuits	Compromise
DS339/DS340/ DS342	EU/US/Canada	2006	Automobile Parts	Lost(AB)
DS358/DS359	US/Mexico	2007	Granting Refunds, Reductions or Exemptions from Taxes and Other Payments	Compromise
DS362	US	2007	IPR	Lost(panel)
DS363	US	2007	Publications and Audiovisual Entertainment Products	Lost(AB)
DS372/DS373/ DS378	EU/US/Canada	2008	Financial Information Services	Compromise
DS387/DS388/ DS390	US/Mexico/Guatemala	2008	Grants, Loans and Other Incentives	pending
DS394/DS395/ DS398	US/EU/Mexico	2009	Exportation of certain raw material	Lost(AB)
DS407	EU	2010	Anti-Dumping Duties on Certain Iron and Steel Fasteners	In consultation
DS413	US	2010	Electronic payment service	Lost(Panel)
DS414	US	2010	Countervailing and Anti-Dumping Duties	Lost(Panel)

# China's dispute cases as respondents(cont)

DS419	US	2010	wind power equipment	In consultation
DS425	EU	2011	Anti-Dumping Duties	Lost(Panel)
DS427	US	2011	Anti-Dumping and Countervailing Duty Measures	Lost(Panel)
DS431/432/433	EU/US/Japan	2012	Exportation of Rare Earths	Lost(AB)
DS440	US	2012	Anti-Dumping and Countervailing Duties	Lost(panel)
DS450	US	2012	Subsidies on automoblie	In consultation
DS451	Mexico	2012	Subsidies on textile and apparel	In consultation
DS454/460	Japan/EU	2012	Antidumping	Lost (panel)
DS483	Canada	2014	Antidumping	Panel composed
DS489	US	2015	Export support	Panel established
DS501	US	2015	National treatment	Consultation

# China's dispute cases as complainant

Case No.	Respondent	Year	Related measure	Result
DS252	US	2002	Safeguard Measures	Win(AB)
DS368	US	2007	Anti-Dumping and Countervailing Duty	End
DS379	US	2008	Anti-Dumping and Countervailing Duty	Win(AB)
DS392	US	2009	Section 727	Win(Panel)
DS397	EU	2009	Antidumping	Win(AB)
DS399	US	2009	Special safeguard	Lost(AB)
DS405	EU	2010	Antidumping	Win(Panel)
DS422	US	2011	Antidumping	Win(Panel)
DS437	US	2012	Countervailing	Win (AB)
DS449	US	2012	Anti-Dumping and Countervailing Duty	Win(AB)
DS452	EU	2012	domestic content restrictions	In consultation
DS471	US	2013	Anti-dumping	Panel composed
DS492	EU	2015	tariff	In consultation





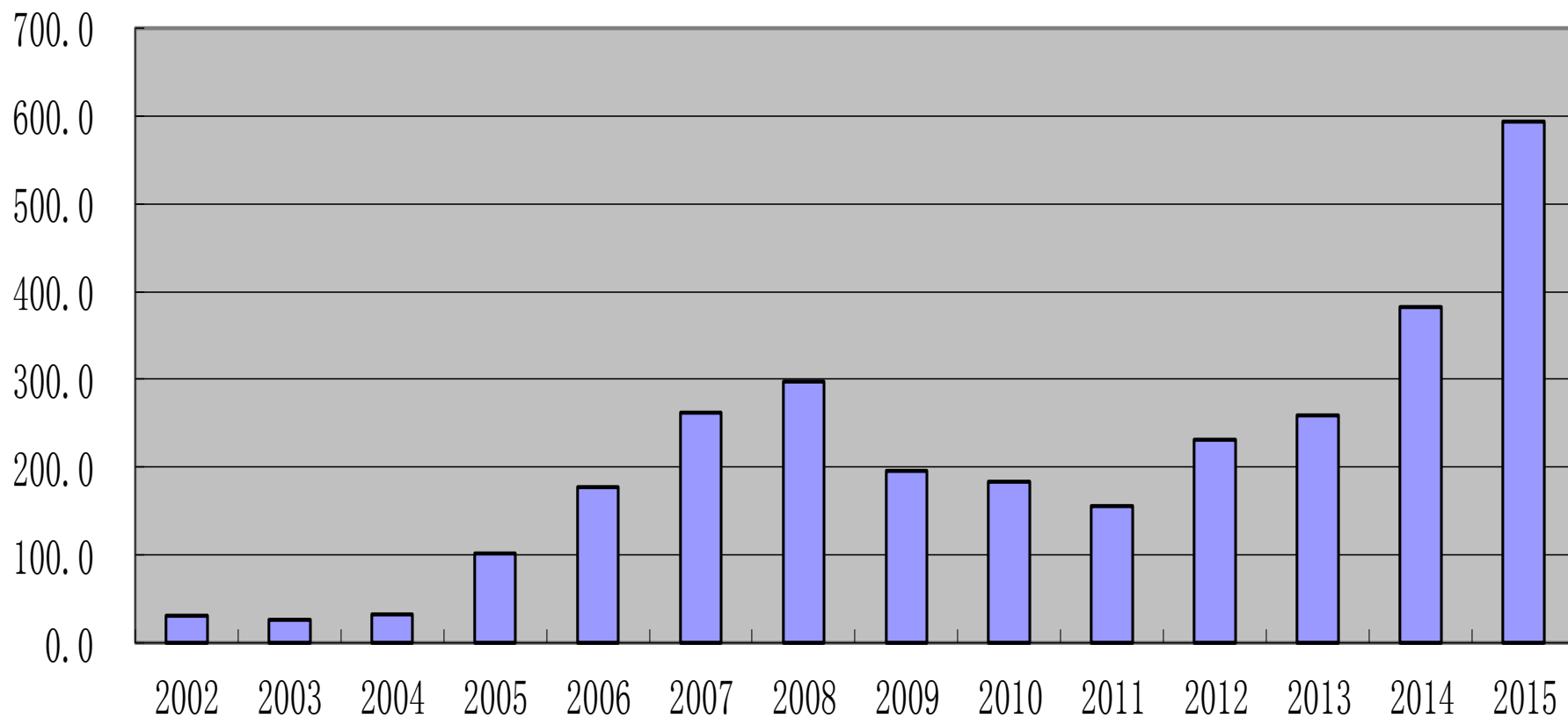
### III. Is China's WTO accession good for China?



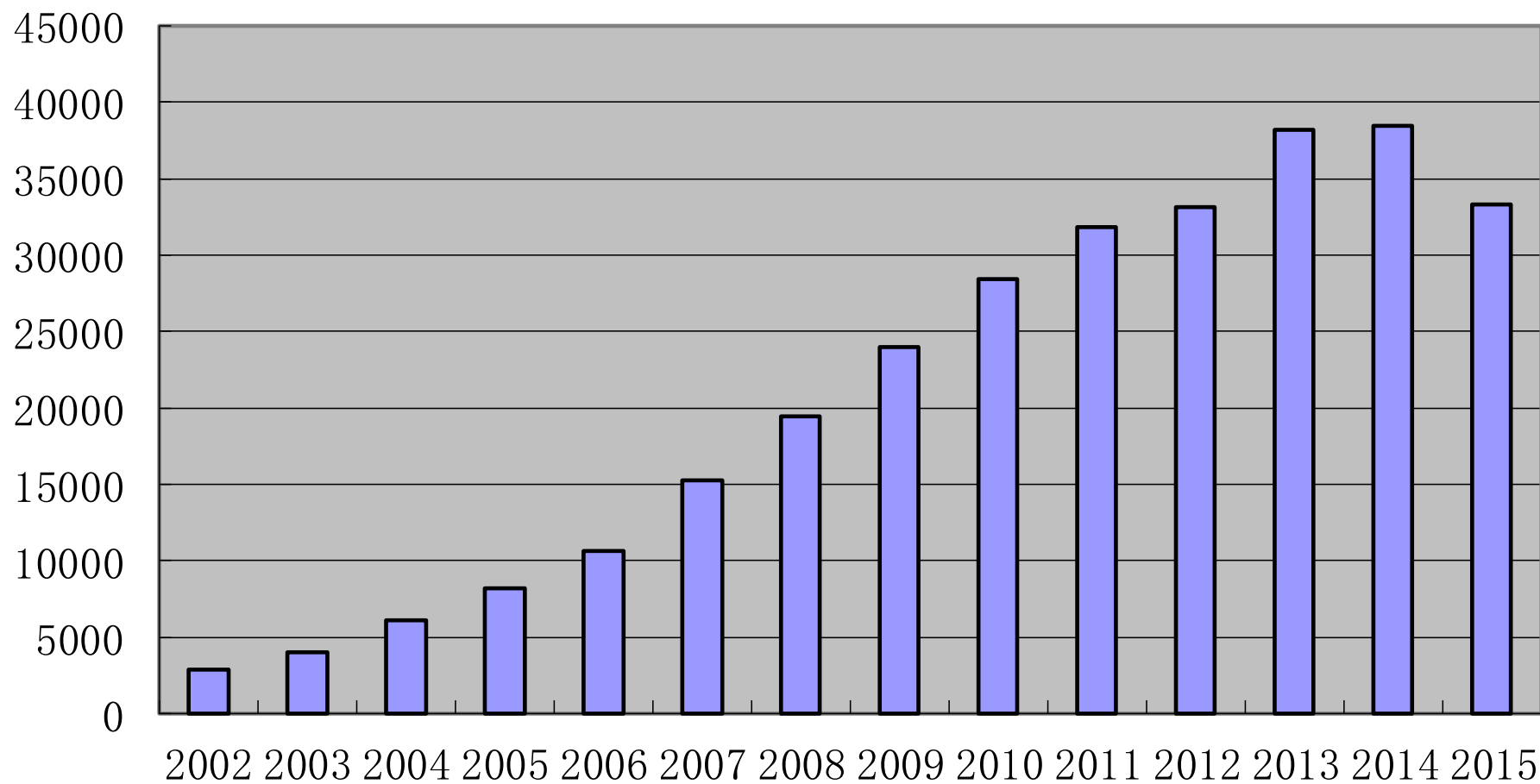
China's trade growth since WTO accession(billion US\$)



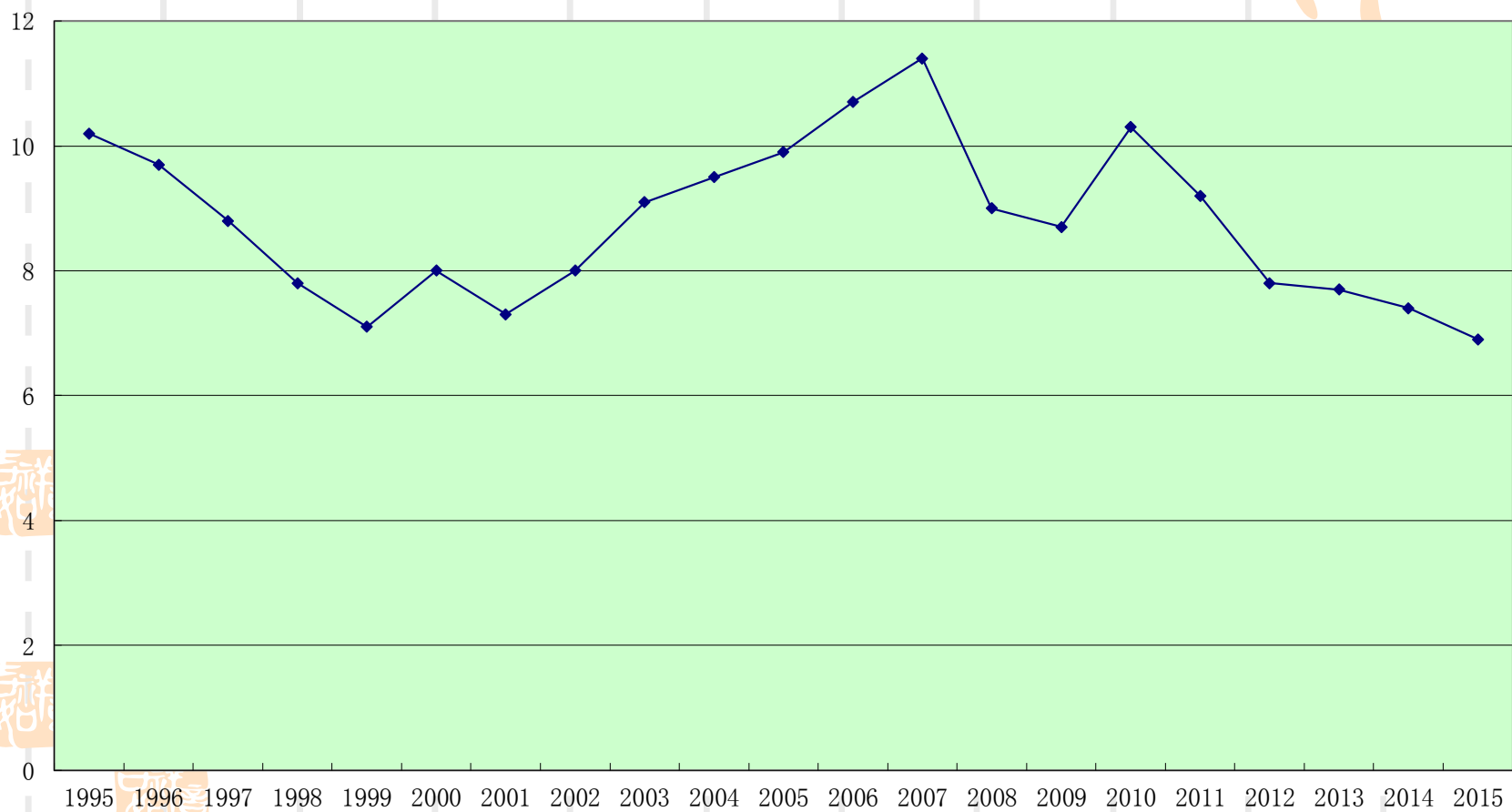
China's trade surplus since WTO accession(billion US\$)



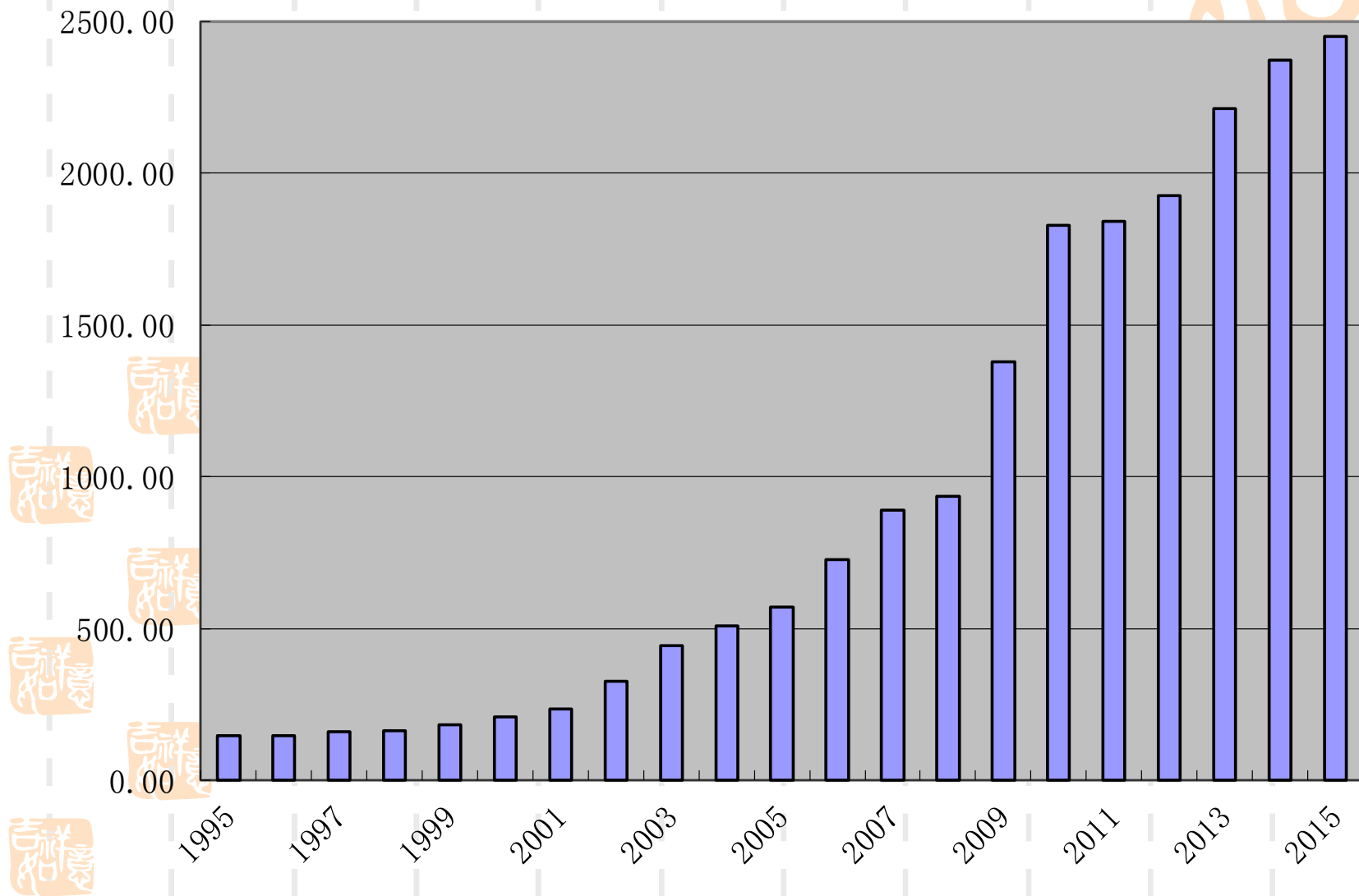
China's foreign exchange reserve(100 million US\$)



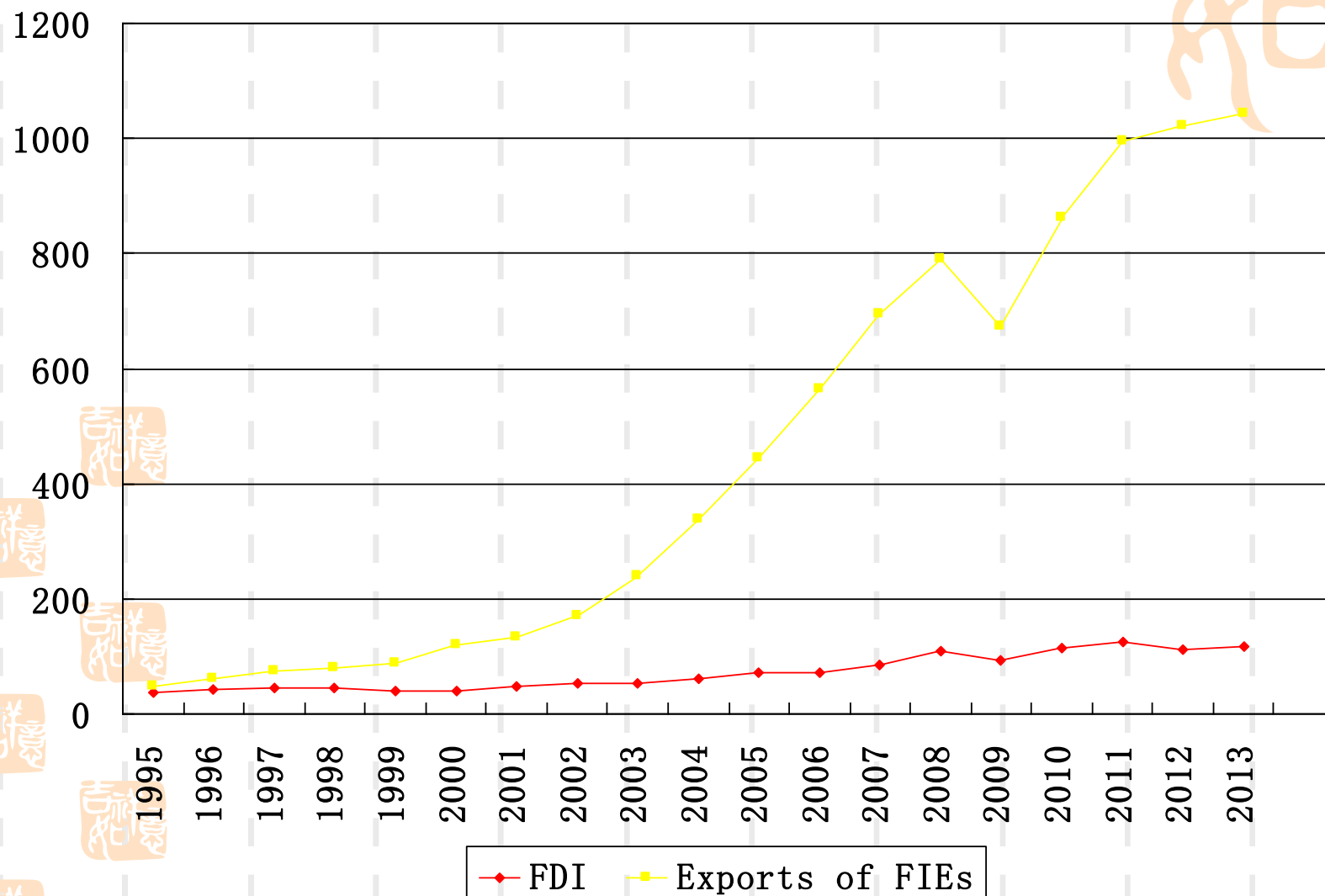
China's GDP growth rate year on year: 1995—2014



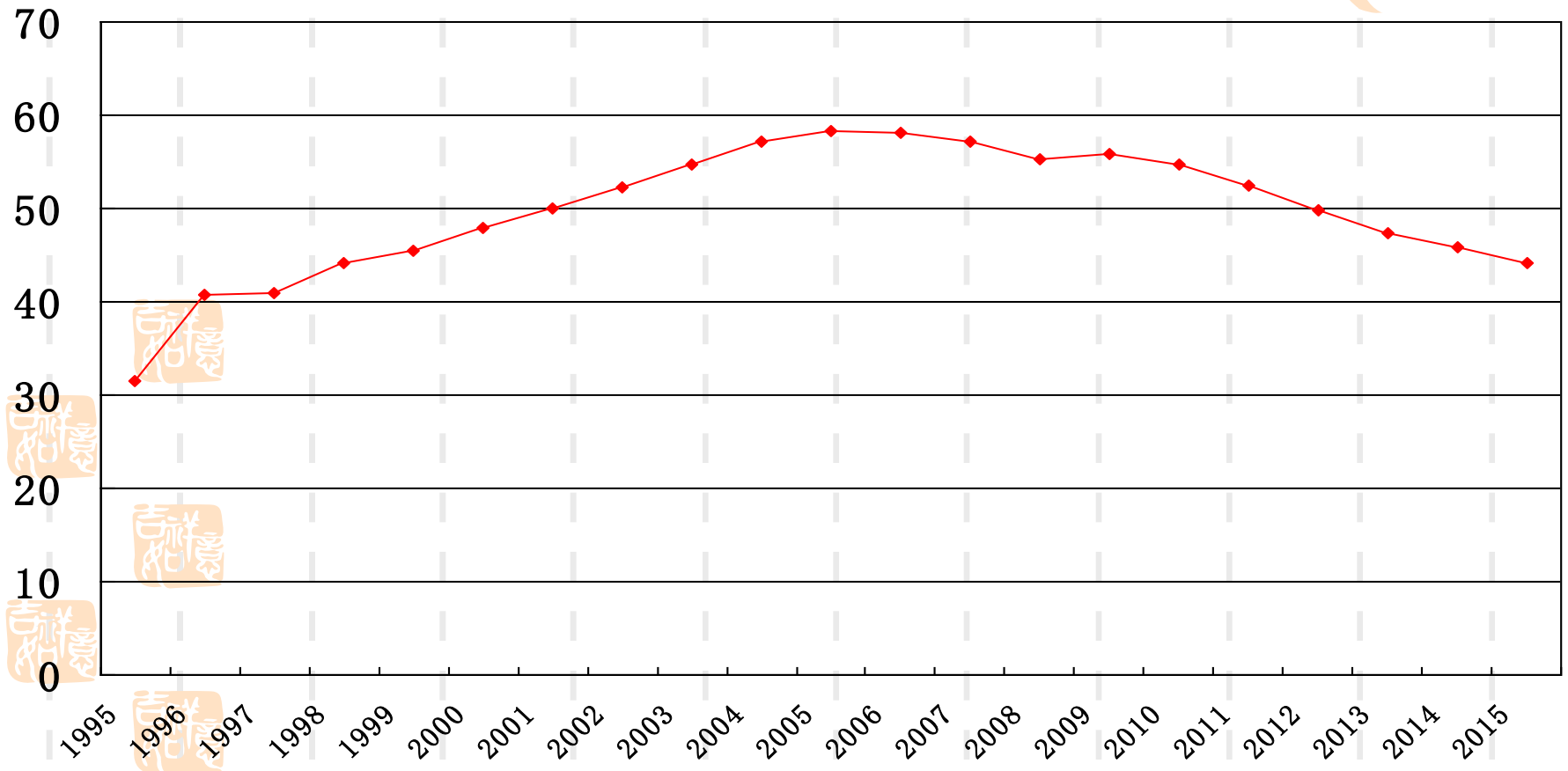
China's automobile production 1995—2015  
(10 thousands)



## China's FDI inflows and exports of FIEs ( billion US\$)



# Share of FIEs in Chinese exports





# China's economic and trade development since WTO accession

- China's economic performance is better than any expectation (trade, trade surplus, foreign exchange reserve, GDP growth) . Even some vulnerable industries become stronger
- How has WTO accession helped?
  - More attractive to foreign investment
  - More competition due to opening
  - Smoother market mechanism
- China's success is based on a series of factors including WTO accession, good infrastructure, strong government, high-quality labor.



## IV: What will the WTO help with China in future?



# Need for further liberalization

- China has space for further liberalization
  - The share of duty-free based on applied tariff is 6.8% while the actual share of duty-free imports is 44.2%
  - The average tariff on electrical machinery is 9.0% while the actual share of duty-free imports is 81.4%
  - China's simple average applied tariff is 9.9% while its trade weighted tariff is 5.0%
  - 41% of Chinese imports are for processing trade
- A paradox: China is enjoying the positive results from trade liberalization, which in turn reduces pressure on China to open more
  - The GPA negotiation shows that many Chinese government agencies are reluctant to make new commitments
  - China's SOE reform seems to be slowed down in the recent years
  - Chinese leadership place their priority on domestic issues
- China's changing comparative advantages will influence its trade policy priority
- China's growing role as an investor will have great impact on its behavior in the WTO
  - China's FDI outflow in 2013 is 88 billion USD, ranking the third largest
  - China has more global interests than before

# New movements under the new leadership

- In December 2012, the new leadership took power on the 18<sup>th</sup> Party Congress
- In November 2013, the new leadership announced their new reform agenda in which further opening up is considered a motive for domestic reforms
- A number of new initiatives have been launched
  - Conclusion of FTAs with Switzerland (May 2013) and Iceland (April 2013, 6 years)
  - New commitments to conclude other FTAs (with Australia 8 years; with Korea 6 years)
  - Took part in RCEP in 2013
  - Substantially promote US-China BIT under the conditions of negative listing and pre-establishment national treatment (July 2013)
  - Launch the BIT negotiation with EU (November 2013)
  - Shanghai Pilot FTZ (August 2013)
  - Initiate FTAAP 2014
  - Apply to join the Trade In Services Agreement (September 2013)
  - Join the Environmental goods negotiation (January 2014)

# Challenges and concerns about further liberalization

- Line ministries and domestic industries are concerned about further opening up for different reasons: the cases of ITA enlargement negotiation and Shanghai FTZ
- There is little consensus inside the government about the next step of trade liberalization
- The Chinese people always have a sense of self-dignity and a dream of self-dependence

